



State of Washington
Department of Revenue

Excise Tax Advisory

Excise Tax Advisories (ETA) are interpretive statements issued by the Department of Revenue under authority of RCW 34.05.230. ETAs explain the Department's policy regarding how tax law applies to a specific issue or specific set of facts. They are advisory for taxpayers; however, the Department is bound by these advisories until superseded by Court action, Legislative action, rule adoption, or an amendment to or cancellation of the ETA.

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ACTIVITIES FOR HIS OWN USE OR INCIDENTAL TO THE TAXPAYER'S MAJOR ACTIVITY

Issued July 3, 1970

Is the business and occupation tax to be assessed upon activities additional or incidental to the taxpayer's major activity?

The taxpayer contends that its business activity is simply the production of certain lumber products for sale, and business tax is not due upon any incidental activities such as (a) miscellaneous receipts from road usage fees, fire fighting, or switching revenues; (b) manufacture of articles for his own use in the course of or incidental to, the production of other articles, such as the manufacture of hogged fuel, saws and knives, or the crushing of rocks for logging roads; and (c) articles produced as a part of the taxpayer's major activity but for his own use rather than for commercial use, such as lumber to construct buildings and plant. The taxpayer asserts that despite the language in RCW 82.04.440 and RCW 82.04.450 it was actually the intent of the law that only one business tax be assessed on one business.

The department ruled that both those who manufacture for their own use and those who engage in activities that are incidental to their primary business are subject to the business tax upon the value of articles so produced and on gross receipts from such incidental business.

RCW 82.04.110 and RCW 82.04.130 provide the basis for assessing the business tax upon those who manufacture for their own use. RCW 82.04.110 includes in its definition of "manufacturer" one who manufactures for sale or for commercial or industrial use from his own material or ingredients any articles, substances, or commodities. RCW 82.04.130 defines "commercial or industrial use" to mean any use as a consumer of products, including by-products, by the extractor or manufacturer thereof. The department concluded that it is the intent of these provisions to make a manufacturer subject to the

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business tax upon articles manufactured for his own use incidental to the carrying on of other or additional business activities. Rule 134 places liability for the business tax upon the total value of the products extracted or manufactured, and states that it is immaterial that a portion of the output may be used by the extractor or manufacturer, and is not sold.

As to activities incidental to its primary business which result in income (e.g., road usage fees, fire fighting revenues, and rail switching revenues), the department ruled that under the broad definitions of business (RCW 82.04.140), engaging in business (RCW 82.04.150), gross proceeds of sales (RCW 82.04.070), and gross income of the business (RCW 82.04.080), there is no question but that taxes assessed are properly due.